



Sustainable Finance

Market Performance - Selected Markets for the Week Ended January 15, 2010

Market	Dec 31, 2009	15-Jan-10	YTD Change	YTD % Change
S&P TSX	11,746.11	11,685.37	- 60.74	-0.52%
Dow Jones	10,428.05	10,609.65	181.60	1.74%
S&P 500	1,115.10	1,136.03	20.93	1.88%
Nasdaq	2,269.15	2,287.99	18.84	0.83%
Nikkei 225	10,546.44	10,982.10	435.66	4.13%
FTSE 100	5,412.88	5,455.37	42.49	0.78%
Dax	5,957.43	5,875.97	- 81.46	-1.37%
Hang Seng	21,872.50	21,654.16	- 218.34	-1.00%
Shanghai	3,277.14	3,224.15	- 52.99	-1.62%
DJSI World TR	1,286.40	1,326.59	40.19	3.12%
DJSI North America TR	120.14	123.78	3.64	3.03%
Jantzi Social Index TR	173.67	171.06	- 2.61	-1.50%
FTSE 4Good Global 100	4,256.14	4,315.58	59.44	1.40%

Selected Rates (Institutional)

Description	Price/Rate Jan 15, 2010
CDN/USF	1.0287
CDN/EURO	1.4790
CDN/CHF	1.0019
CDN/YEN	0.0113
Total CPI - Canada TTM (12/09)	1.60%
Total CPI - USA TTM (12/09)	2.70%
Total CPI - Euro TTM (11/09)	0.50%
GOC 1 Yr T-Bill	0.60%
GOC 5 Year	2.69%
GOC 10 Year	3.55%
GOC 30 Year	4.09%
Gold USF/Oz	1,130.10
Oil USF/BBL WTI Cushing Spot	78.00

Week in Review

Two weeks into the new year and the lack of compelling economic support for the rally of 2009 has started to catch up with the markets.

Before we get to that however, the other story that is developing is the ascent of the Canadian Dollar.

At the end of the week it was a mere three cents from parity with the US Dollar.

Does anyone re-

member when it was 1.6132? January 18, 2002 to be exact. Since then it has come a long way. On November 07, 2007 it hit a high of 0.9170 USD.

It is likely to continue to increase against the US Dollar and the Euro. We have the commodities that the world and in particular China needs.

But we face a problem. With interest rates at all time lows

in Canada, the prospect of raising rates to curb inflation when it again rears its ugly head will be a very unpalatable choice.

Unless Canadian manufacturers can get their productivity up and their costs down they are going to have a tough time in the international market.

And make no mistake, a weak manufacturing base impacts all of us in Can-

ada. Extraction and manufacturing create jobs, savings, and real wealth. An economy that does not have a strong base in this regard is very much subject to greater swings in consumer spending on services, the first thing to go in a recession.

And we have not gained only against the US Dollar. The Euro, Swiss Franc, Australian Dollar, and Japanese Yen are also cheaper for us to

buy now as well. Conversely, our products are now more expensive for them.

We now run the risk of a trade deficit and budgetary deficit. Not good news for Canadians.

On the economic side we still need the figures to support the rally of 2009. While many economists have clearly stated we are out of recession the recovery is tepid at best and the run up

in 2009 prices will need to have corporate profits follow to make it stick. As it stands, we have about a year and a half of improved profits priced into the market.

All this leads me to believe that the current level of the market is on a shaky foundation of future hope. Should we see corporate profits consistently come out lower than expectations we could be in

for a rocky ride. This is a time to be careful. Whereas the internet bubble was mostly paper based and simply a transfer of wealth, the market correction of 2008—2009 was truly asset based and sparked a deleveraging in both corporations and individuals.

When people stop spending and start saving their consumption goes down. 2010 will present challenges.

Europe a Leader in Carbon Intelligence

With the failure of the Copenhagen climate conference it is refreshing to see that Europe is still one of the leaders in carbon reduction and reduction targets.

As of the end of 2008, the EU was 10.7% below their 1990 GHG emission levels. Despite some of the progress coming from the collapse of the communist bloc members who are now EU members, it could not have been accomplished without the participation of other nations in carbon reducing technological implementation.

The countries of the European union have made great strides in reducing their carbon foot-

print and in the process have become technological leaders and implementers in many areas.

Germany has the second largest number of wind farms (second only to the US) with 20.6 GW installed capacity. Spain and the UK are almost equal with about 12 GW each, and Denmark has about 3 GW representing about 20% of its electrical needs. And they are expanding their capacity all the time.

Where will you find the worlds largest Solar panel power plants? Europe. Germany, Spain and Portugal lead in this regard. You will also find large concentrating solar thermal power plants in Spain. Second only to the US.

And there are innovative solutions to carbon usage as well. Knowing that people change their behaviour quickly when it impacts their wallet, the UK has implemented policies that take advantage of this principle.

Try and take your vehicle into the heart of London. It will set you back £7.00. carbon and congestion charge. The results have been to lower congestion and increase use of public transportation.

Or try and buy a luxury car in the UK. Not only will you pay and annual carbon emission road tax when you license it each year, but you will also pay a showroom tax when you buy it as well. While derided by many as a

tax grab it will reduce emissions somewhat but it also gives consumers a direct link to their carbon footprint by way of their wallet.

And yet even though the EU is doing much more than most countries are around the planet, they are still looking to do more.

They are still standing by their offer to move to a 30 percent cut over their 1990 emissions. And this despite the disaster that was Copenhagen.

So why would a group of European countries still want to commit to these types of reductions when it seems the rest of the world, Canada in particular, is offering out relatively pathetic reduction targets?

In my opinion, I believe it is because they get it.

First, they have built an industry based on carbon emission credits. It is a multi billion dollar industry and the UK is the center of it all.

Next, many people in Europe realize that a move from dependence on imported gas and oil to a more sustainable and localized source of energy production will provide greater independence in the future.

Being subject to the whims of Russian natural gas production and Saudi oil production cannot sit well with a union of 400 million people.

Lastly, I believe that the Europeans see the future in GHG reduc-

tion and carbon efficiency. And in a future that includes declining oil production and higher prices the country or in this case group of countries that reduces their dependence on a risky source of energy in exchange for local and controllable sources will achieve a

sustainable advantage over those that do not.

Time will tell if they were right to be on the side they have taken. I feel however that they will be proven correct sooner rather than later.

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Selected News Articles

Full Throttle: P&W's Newest, Greenest Jet Engine

The aviation business is perennially in the spotlight for its role in greenhouse-gas emissions: Jets burn tons of fuel at high altitudes. So far, much of the focus on next-generation aviation technology has landed on big, high-profile planes, such as Boeing's Dreamliner or Airbus' A380, and all the fancy gimmicks they incorporate to reduce fuel consumption and carbon emissions.

But the real battleground for aviation over the next two decades could play out among smaller, regional jets—100-plus seat planes that play an increasingly large role in air transportation in the U.S., Latin America, and Asia.

That's the target market for Pratt & Whitney's newest jet engine, the Pure Power PW1000G, which will be fitted to the latest regional jets from Bombardier and Mitsubishi

in 2013 and 2014. The new engine is "the biggest step in engine technology since the 747," says Alan Epstein, P&W's vice-president for Technology and Environment and a 30-year veteran of MIT.

The new P&W engine, which garnered Popular Science's "Best of What's New" award last year, promises to cut fuel consumption by between 12% and 15%. That by itself is good news for carriers wracked by high oil prices. But lower fuel consumption also means fewer carbon emissions. The engine also cuts down engine noise, which means the new planes could operate from more airports with strict environmental standards.

P&W's engine marks a departure from traditional turbofan engines used in jets: It has a big, 250-pound gear in the middle of it. That means it can use a bigger fan in the front, generate a lot more thrust, and still

cut fuel consumption. The redesigned engine also has fewer, lighter parts than traditional engines. The company says that can cut maintenance costs by \$1.5 million annually per plane.

P&W, a unit of United Technologies, is banking on the engine's efficiency to become a big selling point with regional-jet makers; Bombardier alone expects to sell 6,300 new 100-to-150 seat aircraft over the next twenty years.

Just in case, though, the Obama administration is helping out: P&W got one of the biggest awards, worth \$110 million in clean-tech manufacturing tax credits, from the \$2.3 billion announced by the White House Friday, to retool its factory to produce the new engine.

WSJ Blog
January 12, 2009
By Keith Johnson

The Revenge of the Electric Car

Yesterday I stalked filmmaker Chris Paine, General Motors vice-chairman Bob Lutz and Elon Musk, chief executive of Tesla Motors as they strolled the floor of the Detroit auto show.

Green-tinged conspiracy theorists know Paine as the producer of the documentary *Who Killed the Electric Car?*. Word rippled through the show that he is producing a sequel called *The Revenge of the Electric Car* and that GM is working with the filmmaker.

GM would like some positive press from the likes of Paine, whose movie accused the auto maker of being a prime suspect in the death of the electric vehicle back in the 1990s. How things change. GM is now in the EV business, readying the Chevrolet Volt EV for sale this year.

Buyers need to be found and one way to root them out is to create some healthy EV buzz with the likes of Paine.

Musk, meanwhile, is

flogging his company's EVs. At this year's Tesla booth, visitors saw a white Roadster Sport reportedly driven from California to the show, along with a 2012 Model S sedan slated for production within two years. Price: \$57,400 (US).

All this at an auto show loaded with companies pushing the idea of electric cars – pushing their ideas about electric cars. Tesla and GM represent bookends in the EV race.

Big, old GM has found the electric car religion and now never misses a chance to promote the Volt and other versions of it such as the Cadillac Converj. Tesla, young and small – Tesla only started selling its EV Roadster in 2008 – is a Silicon Valley startup originally funded by dot-com investors.

What GM and Tesla have in common is they are now both operating on government money. GM has its bailout fund and Tesla was recently awarded about half a

billion dollars by the U.S. Government to continue its work developing EVs. This, apparently, is free enterprise in the electric car era.

Of course, the U.S. Government isn't the only one offering cash to EV makers. China is also actively supporting the EV initiatives of its auto industry and here in Detroit a number of Chinese EV makers were on hand, including BYD. You know BYD, right? Billionaire Warren Buffett has put millions in the company.

Here in Detroit, many auto makers have invested great energy into promoting their EVs, along with hybrid gas-electric cars and fuel cell vehicles. Most won't be available to paying customers for years. And those slated for sale in the short term will be sold in very small numbers at the outset.

Nonetheless, you'd be hard-pressed to find an auto executive of any company -- large or small, new or old - who does not agree that the future of the

car business is in the electrification of vehicles.

Green cars will help auto makers meet future emissions regulations and they offer an answer to troubling questions from the likes of filmmaker Paine and anyone else who likes the idea of shedding our dependency on oil and other carbon-based fuels.

Lost in the hype, however, is the fact that according to the research firm IHS Global Insight, hybrids are less than three per cent of the market and have remained at three per cent for years and years.

It may not seem so, but because of a myriad of issues with batteries, the industry faces a huge leap in going from hybrids to full EVs – and the public has not yet accepted hybrids in significant numbers.

Globe and Mail
January 13, 2009
By Jeremy Cato

"All things are possible once enough human beings realize that everything is at stake."

Norman Cousins

"This is the great work of our age, to move the human situation from a destructive relationship with the Earth to a creative one."

Thomas Berry

Pick Your Own Vegetables to Replace Flowers On High Street

Climate change and food shortage issues have prompted Clitheroe to consider growing vegetables, such as purple sprouting broccoli, on its streets.

A Lancashire town is experimenting with using traditional floral displays, including hanging baskets and herbaceous borders, to grow slightly less colourful but more practical greens.

The idea taking shape in Clitheroe is to replace flowers with edible vegetables and offer a modest "pick-your-own" service of plantings to anyone passing by.

The most striking feature will be three-tiered flower/vegetable structures in the centre of the town, if a motion put forward by councillors gets the go-ahead later this month.

Exponents say the idea is symbolic of

the local determination to highlight the risk of food shortages and climate change.

The plan is also being promoted in neighbouring Rossendale, which includes the towns of Haslingden, Rawtenstall and Bacup, and could see them adorned with red-flowered runner beans or purple-sprouting broccoli.

The area has a strong tradition of allotments, recently bolstered by fruit and nut

tree planting in public places by green enthusiasts.

Rose Connor, a councillor who will propose the Clitheroe motion, said the aim was to encourage people to think about sourcing food nearby. "We need to move towards that sort of economy, taking responsibility as individuals for our own food production," she said.

The initiative follows

successful pioneering in another Pennine town, Todmorden, where the Yorkshire-Lancashire boundary bisects the town hall and cricket pitch.

Vegetable beds, herb gardens and orchards have sprung up on sites as varied – and previously urban – as the railway station forecourt and an elderly people's home, under the aegis of the Incredible Edible Todmorden campaign.

Volunteers have replaced "inedible" planting outside the town's health centre with apple and pear trees, made watercress beds in a local park and given free vegetable seeds to social housing tenants. Schools use local produce and the long-term aim is complete self-reliance for food by 2018.

Clitheroe's plan was first suggested by the local Transition Town group, part of a national network en-

couraging similar sustainable, locally grown food production. The group's secretary, Chris Gathercole, said: "Rather than waiting until the last minute, we need to prepare ourselves for a future without cheap oil and gas."

The Guardian UK
January 12, 2010
By Martin Wainwright